

Message Text

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ERDA:MMCDONOUGH (DRAFT)
EXIM:RALBRIGHT (DRAFT)
NRC:RHAUBER (DRAFT)
TREASURY:ASTOGA (DRAFT)
EUR/WE:EBEIGEL(DRAFT)
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TO AMEMBASSY ROME PRIORITY
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E.O. 11652: GDS

TAGS: ENRG, IT

SUBJECT: US-ITALY ENERGY WORKING GROUP (EWG): PROGRESS
REPORT BASED ON NOVEMBER 12 MEETING

REF: ROME 18874

1. DEPARTMENT HAS REVIEWED SUMMARY REPORT PREPARED BY
EMBASSY (REFTEL) AND DISCUSSED RELEVANT PORTIONS WITH
ERDA, NRC, EXIM AND TREASURY. FOLLOWING IS REVISED
PAPER REFLECTING THOSE AGENCIES' VIEWS TO BE TRANSMITTED
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TO MIGLIUOLO. IT SHOULD BE PRESENTED TO HIM AS AN
INFORMAL PAPER SUMMARIZING OUR UNDERSTANDING OF WHERE
EWG ACTIVITIES NOW STAND. IN THIS LIGHT WE WOULD HOPE
TO AVOID PROTRACTED DISCUSSION WITH ITALIANS OVER WORDING
OF SPECIFIC ELEMENTS OF THE DOCUMENT AS OCCURRED WITH
THE JOINT STATEMENT EARLIER THIS YEAR. DEPARTMENT
COMMENTS ON SPECIFIC SECTIONS OF THE PAPER FOR EMBASSY
BACKGROUND INFO FOLLOW THE TEXT. BEGIN TEXT (UNCLASSIFIED)

2. US-ITALY ENERGY WORKING GROUP (EWG) REPORT OF ACTIVITIES AS A RESULT OF THE NOVEMBER 12, 1976 MEETING

A) US POLICY ON URANIUM ENRICHMENT AND REPROCESSING.

THE US OUTLINED THE ELEMENTS OF PRESIDENT FORD'S NUCLEAR TECHNOLOGY POLICY STATEMENT OF OCTOBER 28, 1976 WHICH IS PRESENTLY IN THE PROCESS OF IMPLEMENTATION. THE US EXPLAINED THAT IT WAS UNABLE TO ADDRESS IN DETAIL AT THIS POINT THE SPECIFIC MEANS OR TIMETABLE FOR ACHIEVING ALL OF THE POLICY OBJECTIVES IN THE PRESIDENTIAL STATEMENT. THE US SUGGESTED THAT A BILATERAL BREIFING BY

ERDA OFFICIALS UNDER THE EWG AEGIS COULD BE HELD AT A TIME TO BE PROPOSED BY THE US ONCE THE POLICY HAS BEEN SPELLED OUT IN GREATER DETAIL. THE ITALIAN'S TOOK NOTE OF THE US OFFER AND AGREED TO RESPOND PROMPTLY. AS REITERATED AT THE NOV 12 MEETING ERDA WAS ALSO PREPARED TO BRIEF INTERESTED MEMBERS OF THE ITALIAN DELEGATION IN WASHINGTON FOR THE NOVEMBER 14-18 MEETING OF THE AMERICAN NUCLEAR SOCIETY/ATOMIC INDUSTRIAL FORUM. THE ITALIANS DID NOT PURSUE THE OFFER.

B) PHYSICAL SECURITY OF NUCLEAR FACILITIES

DURING A SEPTEMBER 1976 PHYSICAL SECURITY VISIT
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TO THE UNITED STATES, THE ITALIAN DELEGATION REQUESTED FROM THE NUCLEAR REGULATORY COMMISSION (NRC) THE FOLLOWING DOCUMENTS:

- 1) THE RASMUSSEN STUDY RELATING TO PHYSICAL PROTECTION: THE NRC NOTES THAT THIS STUDY WAS ALREADY PROVIDED TO DR. CARLO ZAFFIRO OF CNEN IN MARCH 1976 UNDER THE PROVISIONS OF THE NRC-CNEN EXCHANGE AGREEMENT.
- 2) AMERICAN NATIONAL STANDARDS INSTITUTE (ANSI) 18.17-1973 STANDARD REPORT: A COPY OF THIS REPORT IS BEING FORWARDED TO THE ITALIANS VIA THE AMERICAN EMBASSY IN ROME.
- 3) A PHYSICAL PROTECTION REAL-LIFE PLAN FOR A REACTOR FACILITY - WITH THE REACTOR REMAINING UNIDENTIFIED: THE NRC NOTES THAT THE PLAN HAS BEEN DEVELOPED AND IS NOW READY FOR THE ITALIANS, BUT THAT UPON THEIR REQUEST THE NRC IS HOLDING IT TO BE PICKED UP DURING A FOLLOW-ON VISIT BY THE ITALIANS. THE NRC HAS SO INFORMED THE ITALIANS IN A LETTER OF NOVEMBER 5, 1976 TO DR. GIOVANNI NASCHI OF CNEN.

4) SAFEGUARDS SUPPLEMENT OF GENERIC ENVIRONMENTAL STATEMENT ON MIXED OXIDES (GESMO): THE NRC NOTES THAT THIS DOCUMENT IS STILL IN THE COURSE OF PREPARATION AND WILL BE MADE AVAILABLE TO THE ITALIANS AS SOON AS IT IS READY. THIS WAS ALSO NOTED IN THE NOVEMBER 5 LETTER TO DR. NASCHI.

IT IS THE NRC'S UNDERSTANDING THAT THE ITALIAN PHYSICAL SECURITY DELEGATION WHICH VISITED THE UNITED STATES AGREED TO PREPARE A FORMAL PAPER ON PHYSICAL PROTECTION PROCEDURES IN ITALY. THE NRC IS STILL AWAIT-

ING THAT REPORT.

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C) PARTICIPATION IN NRC LICENSING ACTIVITIES:

ITALY IS INTERESTED IN AN EXCHANGE WITH THE US ON THE PROCEDURES FOR SAFETY ANALYSIS AND AUTHORIZATION OF CONSTRUCTION AND OPERATION OF NUCLEAR FUEL REPROCESSING PLANTS, AND HAS PROPOSED CONSIDERATION OF ASSIGNMENT OF AN ITALIAN NATIONAL ON A TEMPORARY BASIS, WITHIN THE NRC STAFF. NRC PROPOSES INSTEAD VISITS TO NRC DURING WHICH THESE SAFETY AND LICENSING PROCEDURES WOULD BE EXPLAINED BY EACH RESPONSIBLE STAFF SECTION. QUESTIONS COULD BE ANSWERED AND AN EXCHANGE OF APPLICABLE LICENSING DOCUMENTS OF BOTH PARTIES WOULD FOLLOW.

THE POTENTIAL LICENSING OF COMMERCIAL REPROCESSING FACILITIES IS A VERY COMPLEX SUBJECT. ONE OR TWO ASSIGNEES WORKING IN THE NRC STAFF COULD BECOME PROFICIENT IN ONLY A VERY NARROW AREA OF THE ENTIRE PROCESS IN THE DEPTH NECESSARY TO MAKE LICENSING DECISIONS. IN ADDITION, THE PRESENCE OF MUCH SENSITIVE INFORMATION OF THE TYPE THAT THE US BELIEVES SHOULD NOT BE TRANSFERRED INTERNATIONALLY AT THIS TIME WOULD MAKE IT IMPOSSIBLE FOR FOREIGN PERSONS TO WORK IN THIS DISCIPLINARY AREA WITHOUT SUCH CLOSE SUPERVISION THAT THEY COULD NOT LEARN OR WORK EFFICIENTLY. AS THE ITALIAN GOVERNMENT KNOWS THE US HAS URGED ALL STATES TO FORESWEAR EXPORT OF SENSITIVE TECHNOLOGIES FOR AN INTERIM PERIOD. WE HAVE AVOIDED MAKING EXPORTS OURSELVES AND WE THEREFORE BELIEVE IT IS ESSENTIAL FOR US TO FOLLOW GROUND RULES OURSELVES THAT CONFORM TO THESE OBJECTIVES.

ON THE OTHER HAND WE BELIEVE THE ITALIAN GOVERNMENT SHOULD FIND THE ARRANGEMENTS WE ARE PROPOSING TO BE BENEFICIAL. A SERIES OF MEETINGS OF THE TYPE WE PROPOSE WOULD ALLOW THOROUGH DISCUSSIONS OF ALL IMPORTANT FACTORS SUCH AS SAFETY STANDARDS, LICENSING PROCEDURES, PHYSICAL

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SECURITY, AND PROGRESS OF ACTUAL LICENSING CASES SUCH AS THE BARNWELL AND EXXON APPLICATIONS. NRC WOULD BE WILLING TO HOLD THE FIRST MEETING EARLY IN 1977, AND WOULD SUGGEST PLANNING ON FURTHER VISITS ABOUT A YEAR APART. THE NRC CONTACT POINT IN CONNECTION WITH THESE VISITS IS DR. JOE LAFLEUR OF THE NRC INTERNATIONAL PROGRAMS OFFICE.

D) URANIUM ENRICHMENT TECHNOLOGY: IN EARLTER,

DISCUSSIONS ITALY EXPRESSED INTEREST IN THE TECHNOLOGY ASSOCIATED WITH THE CONSTRUCTION OF GASEOUS DIFFUSION PLANTS FOR THE ENRICHMENT OF URANIUM. ERDA AGREED TO MAKE AVAILABLE TO ITALY THE SPECIFICATIONS FOR SEVERAL UNCLASSIFIED COMPONENTS IN CONNECTION WITH AN ITALIAN BID TO BECOME A POTENTIAL SUPPLIER OF THE COMPONENTS FOR NEW US BUILT GASEOUS DIFFUSION ENRICHMENT CAPACITY. IN THE PRESIDENTIAL STATEMENT OF OCTOBER 28, THE ADMINISTRATION ANNOUNCED ITS INTENTION TO PROCEED WITH THE EXPANSION OF THE PRESENT US GOVERNMENT-OWNED GASEOUS DIFFUSION PLANT AT PORTSMOUTH, OHIO. ERDA HAS CONFIRMED ITS ILLINGNESS TO RECOMMEND THAT POTENTIAL ITALIAN COMPONENT SUPPLIERS BE CONSIDERED ;N THE BIDDING PROCESS FOR THE PLANNED EXPANSION OF THE PORTSMOUTH FACILITY. ERDA RECOMMENDS THAT AN ITALIAN DELEGATION PLAN TO VISIT OAK RIDGE IN EARLY 1977 TO ESTABLISH CONTACT WITH THE ERDA CONTRACTORS RESPONSIBLE FOR SOLICITING AND APPROVING BIDS RELATED TO THE PORTSMOUTH PROJECT. IN THIS WAY THE ITALIANS WILL BE ABLE TO GAIN FIRSTHAND KNOWLEDGE ABOUT THE BIDDING PROCESS AND BETTER ASSESS WHETHER THEY FEEL THEMSELVES TO BE IN A POSITION TO BID FOR THE SUPPLY OF UNCLASSIFIED COMPONENTS FOR THE PORTSMOUTH FACILITY EXPANSION.

E) NATURAL URANIUM RESOURCE EVALUATION (NURE) PROGRAM:

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DURING THE NOVEMBER 12 MEETING, THE US DELEGATE EXPRESSED THE BELIEF THAT DESPITE THE LIMITATIONS IMPOSED ON PARTICIPATION IN THE NURE PROGRAM, THERE HOPEFULLY REMAIN AREAS WHICH CAN SERVE AS THE BASIS FOR FURTHER USEFUL CHANGES. THE US INDICATED ITS WILLINGNESS TO CONSIDER FURTHER SPECIFIC PROPOSALS ADVANCED BY ITALY IN THIS RESPECT, AND SUGGESTS THAT THE MATTER BE EXPLORED THROUGH A JOINT MEETING AT THE TECHNICAL LEVEL.

THE US NOTED, FURTHERMORE THAT IT HAS PROPOSED JOINT EFFORTS TO FURTHER DEFINE THE WORLD URANIUM RESOURCE BASE WITHIN THE FRAMEWORK OF NUCLEAR SUBGROUP

OF THE INTERNATIONAL ENERGY AGENCY (IEA). OFE USHOPES THAT ITALY WILL TAKE APPROPRIATE ADVANTAGE OF-THIS - OPPORTUNITY BY PARTICIPATING FULLY IN ITS WORK.

F) FINANCIAL:

THE US DELEGATION NOTED THE PREVIOUSLY EXPRESSED INTEREST OF THE EXPORT-IMPORT BANK IN CONSIDERING

FINANCING FOR THE US-ORGIN IMPORT COMPONENTS OF THE ITALIAN NUCLEAR PROGRAM AS WELL AS THE WILLINGNESS OF THE EXPORT-IMPORT BANK TO ASSIST ITALY IN ITS EFFORTS TO RAISE A PORTION OF THE FUNDS NECESSARY FOR THE REALIZATION OF THE ITALIAN NUCLEAR PROGRAM FROM US PRIVATE LENDERS.

THE ITALIAN DELEGATION REQUESTED DETAILS REGARDING EXPORT IMPORT BANK GUARANTEES FOR FINANCING A US NUCLEAR REACTOR SALE TO THE PHILIPPINES. THE US RESPONDED THAT THE EXPORT-IMPORT BANK HAD AGREED TO GUARANTEE UNCONDITIONALLY THE PRINCIPAL AND INTEREST OF PHILIPPINE GOVERNMENT BONDS ISSUED IN CONNECTION WITH THE CONSTRUCTION OF A NUCLEAR REACTOR IN THAT COUNTRY. THE US FURTHER NOTED THAT THIS WAS A NEW EXPERIMENTAL FORM OF GUARANTEE OF THE EXPORT-IMPORT BANK AND THAT EACH CASE WOULD BE CONFIDENTIAL

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DECIDED ON ITS MERITS.

THE EXPORT IMPORT BANK HAD INDICATED A WILLINGNESS TO DISCUSS WITH APPROPRIATE ITALIAN AUTHORITIES THE THEORY OF THIS GUARANTEE TECHNIQUE, SHOULD THE ITALIANS WISH TO DO SO.

THE US DELEGATION STATED THAT FURTHER CONTACTS IN THIS REGARD COULD TAKE PLACE FOLLOWING THE RECEIPT BY THE EXPORT-IMPORT BANK OF MORE DETAILED RESPONSES TO A LIST OF OUTSTANDING QUESTIONS REGARDING FINANCIAL AND TECHNICAL ASPECTS OF THE ITALIAN NUCLEAR PROGRAM. THE US UNDERSTANDS THESE RESPONSES WILL BE FORTHCOMING FOLLOWING THE UPCOMING ITALIAN PARLIAMENTARY DEBATE ON ENERGY. THE ITALIAN DELEGATION NOTED THAT AT THAT TIME ITALY WILL BE INTERESTED IN REVIEWING FINANCING QUESTIONS TH THE EXPORT-IMPORT BANK

3. DEPARTMENT COMMENTS:

A) PHYSICAL SECURITY OF NUCLEAR FACILITIES: EMBASSY WILL NOTE THAT DEPARTMENT HAS DELETED REFERENCE TO THE SANDIA STUDY ON PHYSICAL PROTECTION AS ONE OF THE DOCUMENTS SOUGHT BY ITALIANS FROM NRC. NRC DOES NOT SPECIFICALLY RECALL THE DOCUMENT HAVING BEEN REQUESTED BY THE ITALIANS IN THEIR SEPTEMBER 10 MEETING AT NRC. (THE SUMMARY REPORT OF THE ITALIAN VISIT INCLUDING THE PARA-

GRAPH ON THE NRC VISIT WHICH MENTIONS THE SAUDIA STUDY, WAS PREPARED BY AN ERDA CONTROL OFFICER. NRC INFORMS US THE SANDIA STUDY IS SOMEWHAT SENSITIVE, PRESENTLY CLASSIFIED, AND COULD NOT BE GIVEN TO ITALIANS. NRC NOTES' HOWEVER, THE FRG HAS REQUESTED A COPY, AND THAT NRC HAS UNDER CONSIDERATION ITS POSSIBLE RELEASE TO CONFIDENTIAL

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GERMANS. IF FAVORABLE DECISION REACHED, NRC COULD ENTERTAIN POSSIBILITY OF PASSING IT TO ITALIANS. ASSURING THAT MIGLIUOLO DOES NOT QUERY REGARDING THE SANDIA STUDY, NRC PREFERS TO HOLD THE MATTER IN OBEYANCE. THEREFORE EMBASSY SHOULD REFRAIN FROM RAISING QUESTION AND IF ITALIANS DO, EMBASSY CAN INFROM THEM IT WILL QUERY NRC ABOUT THE STUDY.

B) URANIUM ENRICHMENT TECHNOLOGY: ERDA HAS INFORMED US THAT CONTRACTING FOR PORTSMOUTH FACILITY WILL BE CARRIED OUT IN OAK RIDGE RATHER THAN BY ERDA HEADQUARTERS IN WASHINGTON. ERDA THEREFORE SUGGESTS THAT AN ITALIAN DELEGATION PLAN TO VISIT OAK RIDGE IN EARLY 1977 TO MEET WITH THE ERDA CONTRACTORS (GOODYEAR AND UNION CARBIDE) AND DETERMINE WHETHER ITALY WOULD APPEAR TO BE IN A POSITION TO BID FOR THE SUPPLY OF UNCLASSIFIED COMPONENTS FOR THE PORTSMOUTH EXPANSION. IN THE MEANTIME ERDA WASHINGTON WILL CONTACT ITS OAK RIDGE OFFICE INFORM THEM OF THE ITALIAN INTEREST IN BECOMING A COMPONENT SUPPLIER TO THE PROJECT, AND ASK THAT THE ITALIANS BE CONSIDERED ALONG WITH OTHER POTENTIAL SUPPLIERS. ERDA BELIEVES THAT OAK RIDGE MEETING SHOULD BE HELD SOON IN THAT THE PROJECT APPEARS TO BE MOVING AHEAD. IT WOULD OF COURSE BE UP TO THE ITALIANS TO DECIDE ON THE COMPOSITION OF THE DELEGATION THEY SEND. EMBASSY SHOULD CONFIRM ITALIAN WILLINGNESS TO MEET WITH THE CONTRACTORS. ERDA REQUIRES 30 DAYS ADVANCE NOTICE PRIOR TO A VISIT.

C) NURE PROGRAM: WE APPRECIATE EMBASSY'S FLAGGING OF APPARENT MISUNDERSTANDING REGARDING WHICH SIDE HAS RESPONSIBILITY FOR PROPOSALS FOR FOLLOW-ON. ERDA STRONGLY BELIEVES IT IS UP TO ITALIANS TO MAKE SPECIFIC PROPOSALS NOW THAT THEY HAVE BEEN EXPOSED TO THE OVERALL PROGRAM, AND IS THUS NOT DISPOSED TO OFFER ITS OWN PROPOSALS FOR FURTHER COLLABORATION. WE TRUST THIS CONFIDENTIAL

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POTENTIAL IMPASSE CAN BE OVERCOME BY SUGGESTING A JOINT MEETING AT THE TECHNICAL LEVEL AT WHICH BOTH SIDES COULD EXPLORE POSSIBILITIES FOR FOLLOW-ON. ERDA IS AGREEABLE

TO SUCH A MEETING.

D) FINANCIAL: UPON CONSULTING WITH EXIM FOLLOWING THE NOVEMBER 12 MEETING, THE BANK EXPRESSED CONSIDERABLE CAUTION WITH RESPECT TO THE PHILIPPINE LOAN GUARANTEE - PREFERING TO CHARACTERIZE IT AS AN EXPERIMENTAL UNDER-TAKING RATHER THAN AN ESTABLISHED PROGRAM, AND INDICATING A WILLINGNESS TO DISCUSS WITH ITALY THE QUOTE THEORY END QUOTE OF THE GUARANTEE TECHNIQUE... IN ANY EVENT, EXIM IS DISPOSED TO TAKE UP THE MATTER WITH THE ITALIANS ONCE THEIR RESPONSES TO THE OUTSTANDING LIST OF QUESTIONS HAVE BEEN RECEIVED. IN DISCUSSING WITH MIGLIUOLO THIS SECTION OF THE SUMMARY REPORT, EMBASSY SHOULD EMPHASIZE TO HIM IN ITS PRESENTATION THE NEWNESS AND THE AD HOC NATURE OF THE LOAN GUARANTEE PROGRAM.

ROBINSON

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